Plans' assets at fair value, January 1	$ 5,667	$5,086	$4,349	$ 307	$ 212	$ 149
Actual return on plans' assets	(1,568)	442	508	(106)	20	23
Company contributions	285	283	266	133	136	108
Benefits paid	(241)	(228)	(213)	(68)	(61)	(68)
Other, primarily foreign currency translation	(146)	84	176	—	—	—
Plans' assets at fair value, December 31	$ 3,997	$5,667	$5,086	$ 266	$ 307	$ 212
Projected benefit obligations greater than plans' assets, December 31	$(1,544)	$ (116)	$ (528)	$(1,177)	$(1,207)	$(1,308)
Long-term assets	$ 16	$ 576	$ 84	$ —	$ —	$ —
Short-term liabilities	(24)	(27)	(23)	—	—	—
Long-term liabilities	(1,536)	(665)	(589)	(1,177)	(1,207)	(1,308)
Net liability	$(1,544)	$ (116)	$ (528)	$(1,177)	$(1,207)	$(1,308)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):						
Actuarial losses, net	$ 2,554	$ 920	$1,343	$ 587	$ 635	$ 786
Prior service cost (credits)	38	40	43	(206)	(227)	(249)
Total	$ 2,592	$ 960	$1,386	$ 381	$ 408	$ 537

The projected benefit obligations for non-U.S. defined benefit plans was $1.3 billion, $1.8 billion and $1.5 billion at December 31, 2008, 2007 and 2006, respectively. The accumulated benefit obligations for all defined benefit plans was $4.7 billion, $4.9 billion and $4.7 billion at December 31, 2008, 2007 and 2006, respectively. For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2008, 2007 and 2006, the aggregate accumulated benefit obligations were $4.2 billion, $697 million and $544 million, respectively; the projected benefit obligations were $4.8 billion, $770 million and

Note 5 — Post-Employment Benefits (Continued)

$592 million, respectively; and the aggregate plan assets were $3.3 billion, $84 million and $22 million, respectively.

	Defined Benefit Plans			Medical and Dental Plans		
	2008	2007	2006	2008	2007	2006
	(dollars in millions)					
Service cost — benefits earned during the year	$ 233	$ 249	$ 219	$ 43	$ 58	$ 56
Interest cost on projected benefit obligations	353	316	275	92	97	80
Expected return on plans' assets	(487)	(426)	(382)	(33)	(24)	(16)
Amortization of actuarial losses	34	81	78	29	55	44
Amortization of prior service cost (credits)	4	4	—	(21)	(22)	(21)
Total cost	$ 137	$ 224	$ 190	$110	$164	$143

Other comprehensive income (loss) for 2008 includes amortization of actuarial losses and prior service cost of $34 million and $4 million, respectively, and net actuarial losses of $1.6 billion for defined benefit plans and amortization of actuarial losses and prior service credits of $29 million and $21 million, respectively, and net actuarial gains of $19 million for medical and dental plans. Other comprehensive income (loss) for 2007 includes amortization of actuarial losses and prior service cost of $81 million and $4 million, respectively, and net actuarial gains of $341 million for defined benefit plans and amortization of actuarial losses and prior service credits of $55 million and $22 million, respectively, and net actuarial gains of $96 million for medical and dental plans. The pretax amount of actuarial losses and prior service cost (credits) included in Accumulated other comprehensive income (loss) at December 31, 2008 that is expected to be recognized in the net periodic benefit cost in 2009 is $61 million and $4 million,

respectively, for defined benefit pension plans and $32 million and $(22) million, respectively, for medical and dental plans.

The weighted average assumptions used to determine benefit obligations for defined benefit plans and medical and dental plans are as follows:

	2008	2007	2006
Discount rate	6.7%	6.2%	5.7%
Expected aggregate average long-term change in compensation	4.3%	4.2%	4.2%

The weighted average assumptions used to determine the net cost for defined benefit plans and medical and dental plans are as follows:

	2008	2007	2006
Discount rate	6.2%	5.7%	5.5%
Expected return on plan assets	8.4%	8.3%	8.5%
Expected aggregate average long-term change in compensation	4.2%	4.2%	4.2%

The assumed health care cost trend rates for medical and dental plans at December 31 were as follows:

	2008	2007	2006
Health care cost trend rate assumed for the next year	7%	7%	7%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2012	2012	2012

Note 5 — Post-Employment Benefits (Continued)

The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and is a forward projection of health care costs as of the measurement date. A one-percentage point increase/(decrease) in the assumed health care cost trend rate would increase/(decrease) the accumulated post-employment benefit obligations as of December 31, 2008, by $193 million/$(157) million, and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately $23 million/$(18) million.

Approximately 58 percent of Abbott's U.S. defined benefit plans and medical and dental plans assets are invested in equity securities, 30 percent in fixed income securities, and the remainder in other securities, which consist of investment partnerships that employ diverse investment strategies across a wide variety of asset classes and financial instruments. The investment mix of equity securities, fixed income and other securities is based upon achieving a desired return, balancing higher return, more volatile equity securities, and lower return, less volatile fixed income securities. Abbott's domestic plans are invested in diversified portfolios of public-market equity and fixed-income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and in the case of fixed income securities, maturities

and credit quality. The plans do not directly hold any securities of Abbott. Abbott's international defined benefit plans are invested approximately 70 percent in equities and 30 percent in fixed income securities.

The plans' expected return on assets, as shown above, is based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the asset classes in which the plans are invested, as well as current economic and capital market conditions.

Abbott funds its domestic pension plans according to IRS funding limitations. In 2008, 2007 and 2006, $200 million was funded to the main domestic pension plan. International pension plans are funded according to similar regulations. Abbott expects pension funding for its main domestic pension plan of $700 million in 2009 and $200 million annually thereafter.

Total benefit payments expected to be paid to participants, which includes payments funded from company assets as well as paid from the plans, are as follows: (*dollars in millions*)

	Defined Benefit Plans	Medical and Dental Plans
2009	$ 237	$ 80
2010	245	85
2011	253	90
2012	266	94
2013	277	97
2014 to 2018	1,706	557

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $129 million in 2008, $119 million in 2007 and $102 million in 2006.

Abbott provides certain other post-employment benefits, primarily salary continuation plans, to qualifying domestic employees, and accrues for the related cost over the service lives of the employees.

Note 6 — Taxes on Earnings

Taxes on earnings from continuing operations reflect the annual effective rates, including charges for interest and penalties. Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. U.S. income taxes are provided on those earnings of foreign subsidiaries which are intended to be remitted to the parent company. Abbott does not record deferred income taxes on earnings reinvested indefinitely in foreign subsidiaries. Undistributed earnings reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment aggregated $14.9 billion at December 31, 2008. It is not practicable to determine the amount of deferred income taxes not provided on these earnings. In the U.S., Abbott's federal income tax returns through 2005 are settled, and the income tax returns for years after 2005 are open. There are numerous other income tax jurisdictions for which tax returns are not yet settled, none of which are individually significant. Reserves for interest and penalties are not significant.

Earnings from continuing operations before taxes, and the related provisions for taxes on earnings from continuing operations, were as follows: (*dollars in millions*)

	2008	2007	2006
Earnings From Continuing Operations Before Taxes:			
Domestic	$ (81)	$ 670	$ (869)
Foreign	5,937	3,800	3,145
Total	$5,856	$4,470	$2,276

	2008	2007	2006
Taxes on Earnings From Continuing Operations:			
Current:			
U.S. Federal, State and Possessions	$1,188	$ 564	$ 509
Foreign	782	675	634
Total current	1,970	1,239	1,143
Deferred:			
Domestic	(845)	(304)	(545)
Foreign	(3)	(72)	(38)
Total deferred	(848)	(376)	(583)
Total	$1,122	$ 863	$ 560

Differences between the effective income tax rate and the U.S. statutory tax rate were as follows:

	2008	2007	2006
Statutory tax rate on earnings from continuing operations	35.0%	35.0%	35.0%
Benefit of lower foreign tax rates and tax exemptions	(16.7)	(12.6)	(18.4)
Effect of non-deductible acquired in-process research and development	—	—	19.4
State taxes, net of federal benefit	0.2	0.4	0.3
Adjustments primarily related to resolution of prior years' accrual requirements	(0.5)	—	(5.8)
Domestic dividend exclusion	(0.6)	(3.1)	(5.9)
All other, net	1.8	(0.4)	—
Effective tax rate on earnings from continuing operations	19.2%	19.3%	24.6%

Note 6 — Taxes on Earnings (Continued)

As of December 31, 2008, 2007 and 2006, total deferred tax assets were $5.4 billion, $3.6 billion and $3.2 billion, respectively, and total deferred tax liabilities were $1.4 billion, $1.4 billion and $1.1 billion, respectively. Valuation allowances for deferred tax assets were not significant. The tax effect of the differences that give rise to deferred tax assets and liabilities were as follows: (*dollars in millions*)

	2008	2007	2006
Compensation and employee benefits	$ 1,496	$ 862	$ 921

Trade receivable reserves	434	337	236
Inventory reserves	261	220	163
Deferred intercompany profit	248	262	390
State income taxes	137	84	52
Depreciation	(64)	(105)	(135)
Acquired in-process research and development and other accruals and reserves not currently deductible	2,771	1,751	1,269
Other, primarily the excess of book basis over tax basis of intangible assets	(1,293)	(1,197)	(872)
Total	$ 3,990	$ 2,214	$2,024

On January 1, 2007, Abbott adopted the provisions of FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes." Under this Interpretation, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Adoption of this Interpretation did not have a material impact on Abbott's financial position. The following table summarizes the gross amounts of unrecognized tax benefits without regard to reduction in tax liabilities or additions to deferred tax assets and liabilities if such unrecognized tax benefits were settled. *(dollars in millions)*

	2008	2007
January 1	$1,126	$ 713
Increase due to current year tax positions	385	339
Increase due to prior year tax positions	418	147
Decrease due to current year tax positions	(25)	—
Decrease due to prior year tax positions	(240)	(11)
Settlements	(121)	(62)
Lapse of statute	(20)	—
December 31	$1,523	$1,126

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is approximately $1.4 billion. Abbott believes that it is reasonably possible that unrecognized tax benefits will be settled within the next twelve months as a result of concluding various tax matters. Abbott expects the range of the decrease in the recorded amounts of unrecognized tax benefits, primarily as a result of cash adjustments, to range from $400 million to $650 million, arising from the conclusion of these tax matters.

Note 7 — Segment and Geographic Area Information

Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products. Abbott's products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. Abbott's reportable segments are as follows:

Pharmaceutical Products — Worldwide sales of a broad line of pharmaceuticals. For segment reporting purposes, two pharmaceutical divisions are aggregated and reported as the Pharmaceutical Products segment.

Nutritional Products — Worldwide sales of a broad line of adult and pediatric nutritional products.

Diagnostic Products — Worldwide sales of diagnostic systems and tests for blood banks, hospitals, commercial laboratories and alternate-care testing sites. For segment reporting purposes, three diagnostic divisions are aggregated and reported as the Diagnostic Products segment.

Vascular Products — Worldwide sales of coronary, endovascular and vessel closure products.

Abbott's underlying accounting records are maintained on a legal entity basis for government and public reporting requirements. Segment disclosures are on a performance basis consistent with internal management reporting. Intersegment transfers of inventory are recorded at standard cost and are not a measure of segment operating earnings. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments. For acquisitions prior to 2006, substantially all intangible assets and related amortization are not allocated to segments. The following segment information has been prepared in accordance with the internal accounting policies of Abbott, as described above, and are not presented in accordance with generally accepted accounting principles applied to the consolidated financial statements. *(dollars in millions)*

	Net Sales to External Customers (a)			Operating Earnings (Loss) (a)			Depreciation and Amortization			Additions to Long-term Assets			Total Assets		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Pharmaceuticals (b)	$16,708	$14,632	$12,395	$6,331	$5,509	$4,522	$ 323	$330	$150	$ 831	$ 407	$2,615	$10,356	$ 9,197	$ 9,281
Nutritionals (c)	4,924	4,388	4,313	859	855	1,206	135	115	112	281	388	184	3,220	3,261	2,467
Diagnostics	3,575	3,158	2,843	375	252	240	312	286	248	270	374	373	3,218	3,792	3,734
Vascular (b)	2,241	1,663	1,082	205	(188)	(115)	240	234	157	489	312	3,637	4,822	4,706	4,400
Total Reportable Segments	27,448	23,841	20,633	$7,770	$6,428	$5,853	$1,010	$965	$667	$1,871	$1,481	$6,809	$21,616	$20,956	$19,882
Other	2,080	2,073	1,843												
Net Sales	$29,528	$25,914	$22,476												

(a)

Net sales and operating earnings for 2008 and 2007 were favorably affected by the relatively weaker U.S. dollar and were unfavorably affected by the relatively stronger U.S. dollar in 2006.

(b)

Additions to long-term assets for the Pharmaceutical Products segment includes acquired intangible assets of $700 in 2008 and $821 in 2006 and goodwill of $1,590 in 2006 and for the Vascular Products segment, includes goodwill of $321 and $1,688 in 2008 and 2006, respectively, and acquired intangible assets of $1,195 in 2006.

Note 7 — Segment and Geographic Area Information (Continued)

(c)

The decrease in the Nutritional Products segment operating earnings in 2007 was primarily due to the completion of the U.S. co-promotion of *Synagis* in 2006.

	2008	2007	2006
	(dollars in millions)		
Total Reportable Segment Operating Earnings	$ 7,770	$ 6,428	$ 5,853
Corporate functions and benefit plans costs	(377)	(421)	(449)
Non-reportable segments	133	298	197
Net interest expense	(327)	(456)	(292)

Acquired in-process and collaborations research and development	(97)	—	(2,014)
Income from TAP Pharmaceutical Products Inc. joint venture	119	498	476
Share-based compensation (d)	(347)	(430)	(330)
Other, net (e)	(1,018)	(1,447)	(1,165)
Consolidated Earnings from Continuing Operations Before Taxes	$ 5,856	$ 4,470	$ 2,276

(d)

The increase in share-based compensation in 2007 is partially due to the granting of replacement stock options as a result of the increase in the market value of Abbott common stock.

(e)

Other, net for 2007 includes $197 for restructuring plans; $256 for acquisition integration and related costs primarily associated with the acquisitions of Guidant's vascular intervention and endovascular solutions businesses and Kos Pharmaceuticals Inc. and a $190 fair market value loss adjustment to Abbott's investment in Boston Scientific common stock.

	2008	2007	2006
		(dollars in millions)	
Total Reportable Segment Assets	$21,616	$20,956	$19,882
Cash and investments	6,153	3,946	2,603
Current deferred income taxes	2,463	2,110	1,717
Non-reportable segments	1,094	1,575	1,486
All other, net, primarily goodwill and intangible assets not allocated to reportable segments	11,093	11,127	10,490
Total Assets	$42,419	$39,714	$36,178

Note 7 — Segment and Geographic Area Information (Continued)

	Net Sales to External Customers (f)			Long-term Assets		
	2008	2007	2006	2008	2007	2006
			(dollars in millions)			
United States	$14,495	$13,252	$11,995	$14,271	$12,870	$13,536
Japan	1,249	1,111	1,054	1,046	987	974
Germany	1,381	1,235	885	5,833	6,822	6,154
The Netherlands	1,753	1,271	1,061	175	211	185
Italy	1,089	974	848	248	288	256
Canada	924	832	762	131	156	74
France	977	854	696	114	142	131
Spain	909	731	583	284	336	283
United Kingdom	725	627	517	1,008	1,371	1,446
All Other Countries	6,026	5,027	4,075	2,267	2,488	1,857
Consolidated	$29,528	$25,914	$22,476	$25,377	$25,671	$24,896

(f) Sales by country are based on the country that sold the product.

Note 8 — Litigation and Environmental Matters

Abbott has been identified as a potentially responsible party for investigation and cleanup costs at a number of locations in the United States and Puerto Rico under federal and state remediation laws and is investigating potential contamination at a number of company-owned locations. Abbott has recorded an estimated cleanup cost for each site for which management believes Abbott has a probable loss exposure. No individual site cleanup exposure is expected to exceed $3 million, and the aggregate cleanup exposure is not expected to exceed $15 million.

There are a number of patent disputes with third parties who claim Abbott's products infringe their patents. In one of those disputes, filed in April 2007, Abbott is unable to estimate a range of possible loss, if any, and no reserve has been recorded. Abbott's acquisition of Kos Pharmaceuticals Inc. resulted in the assumption of various cases and investigations and Abbott has recorded reserves related to several of those cases and investigations.

There are several civil actions pending brought by individuals or entities that allege generally that Abbott and numerous pharmaceutical companies reported false or misleading pricing information relating to the average wholesale price of certain pharmaceutical products in connection with federal, state and private reimbursement. Civil actions have also been brought against Abbott, and in some cases other members of the pharmaceutical industry, by state attorneys general seeking to recover alleged damages on behalf of state Medicaid programs. In May 2006, Abbott was notified that the U.S. Department of Justice intervened in a civil whistle-blower lawsuit alleging that Abbott inflated prices for Medicaid and Medicare reimbursable drugs. Abbott has settled a few of the cases and recorded reserves for its estimated losses in a few other cases, however, Abbott is unable to estimate the range or amount of possible loss for the majority of the cases, and no loss reserves have been recorded for them. Many of the products involved in these cases are Hospira products. Hospira, Abbott's former hospital products business, was spun off to Abbott's shareholders in 2004. Abbott retained liability for losses that result from these cases and investigations to the extent any such losses both relate to the sale of Hospira's products prior to the spin-off of Hospira and relate to allegations that were made in such pending and future cases and investigations that were the same as allegations existing at the date of the spin-off.

Note 8 — Litigation and Environmental Matters (Continued)

There are several civil actions pending brought by state attorneys general and private entities alleging antitrust and unfair competition claims in connection with the sales of *TriCor*. Abbott licenses *TriCor* from a third party and the licensor has also been named as a defendant. In the fourth quarter of 2008, settlements were reached in all of these cases except the state attorneys general and indirect purchasers, however, Abbott is unable to estimate a range of loss, if any, and no loss reserves have been recorded for the remaining *TriCor* cases. There are several civil actions pending brought by private payers and others alleging antitrust claims in connection with the pricing of *Norvir*.

Within the next year, legal proceedings may occur that may result in a change in the estimated reserves recorded by Abbott. For its legal proceedings and environmental exposures, except as noted above, Abbott estimates the range of possible loss to be from approximately $255 million to $495 million. The recorded reserve balance at December 31, 2008 for these proceedings and exposures was approximately $325 million. These reserve and range amounts include $135 million of settled amounts that were paid in 2009. These reserves represent management's best estimate of probable loss, as defined by Statement of Financial Accounting Standards No. 5 "Accounting for Contingencies."

While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations, except for the cases and investigations discussed in

the third paragraph and the patent case discussed in the second paragraph of this footnote, the resolution of which could be material to cash flows or results of operations for a quarter.

Note 9 — Incentive Stock Program

The 1996 Incentive Stock Program authorizes the granting of stock options, replacement stock options, stock appreciation rights, limited stock appreciation rights, restricted stock awards, restricted stock units, performance units and foreign qualified benefits. Stock options, replacement stock options and restricted stock awards and units comprise the majority of benefits that have been granted and are currently outstanding under this program. In 2008, Abbott granted 20,544,577 stock options, 4,425,398 replacement stock options, 829,491 restricted stock awards and 567,624 restricted stock units under the program. The purchase price of shares under option must be at least equal to the fair market value of the common stock on the date of grant, and the maximum term of an option is 10 years. Options vest equally over three years except for replacement options, which vest in six months. Options granted before January 1, 2005 included a replacement feature. Except for options outstanding that have a replacement feature, options granted after December 31, 2004 do not include a replacement feature. When an employee tenders mature shares to Abbott upon exercise of a stock option, a replacement stock option may be granted equal to the amount of shares tendered. Replacement options are granted at the then current market price for a term that expires on the date of the underlying option grant. Upon a change in control of Abbott, all outstanding stock options become fully exercisable, and all terms and conditions of all restricted stock awards and units are deemed satisfied. Restricted stock awards granted generally vest between 3 and 5 years and for restricted stock awards that vest over 5 years, no more than one-third of the award vests in any one year upon Abbott reaching a minimum return on equity target. Restricted stock units vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. The aggregate fair market value of restricted stock awards and units is recognized as expense over the service period. Restricted stock awards and settlement of vested restricted stock units are issued out of treasury shares. Abbott issues new shares for exercises of stock options. Abbott does not have a policy of purchasing its shares relating to its share-based programs. At January 1, 2009, approximately 56 million shares were reserved for future grants under the 1996 Program. Subsequent to year-end, the Board of Directors granted approximately 8 million stock options and restricted stock awards and units from this reserve.

Note 9 — Incentive Stock Program (Continued)

The number of restricted stock awards and units outstanding and the weighted-average grant-date fair value at December 31, 2007 and December 31, 2008 was 3,740,341 and $49.04 and 3,574,445 and $52.21, respectively. The number of restricted stock awards and units, and the weighted-average grant-date fair value, that were granted, vested and lapsed during 2008 were 1,444,465 and $55.53, 1,389,085 and $47.09 and 221,276 and $51.15, respectively. The fair market value of restricted stock awards and units vested in 2008, 2007 and 2006 was $76 million, $114 million and $32 million, respectively.

	Options Outstanding			Exercisable Options		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
December 31, 2007	132,992,850	$ 47.19	6.6	88,057,465	$ 46.22	5.5
Granted	24,969,975	55.79				
Exercised	(25,872,104)	45.13				
Lapsed	(3,263,586)	51.77				

December 31, 2008	128,827,135	$ 49.16	6.4	87,770,715	$ 47.39	5.4

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2008 was $632 million and $559 million, respectively. The total intrinsic value of options exercised in 2008, 2007 and 2006 was $314 million, $613 million and $205 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2008 amounted to approximately $220 million which is expected to be recognized over the next three years.

Total non-cash compensation expense charged against income in 2008, 2007 and 2006 for share-based plans totaled approximately $350 million, $430 million and $330 million, respectively, and the tax benefit recognized was approximately $117 million, $142 million and $78 million, respectively. Compensation cost capitalized as part of inventory is not significant.

The fair value of an option granted in 2008, 2007 and 2006 was $11.42, $12.88 and $11.72, respectively. The fair value of an option grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2008	2007	2006
Risk-free interest rate	3.0%	4.5%	4.6%
Average life of options (years)	6.0	5.9	6.1
Volatility	24.0%	25.0%	28.0%
Dividend yield	2.6%	2.5%	2.7%

The risk-free interest rate is based on the rates available at the time of the grant for zero-coupon U.S. government issues with a remaining term equal to the option's expected life. The average life of an option is based on both historical and projected exercise and lapsing data. Expected volatility is based on implied volatilities from traded options on Abbott's stock and historical volatility of Abbott's stock over the expected life of the option. Dividend yield is based on the option's exercise price and annual dividend rate at the time of grant.

Note 10 — Debt and Lines of Credit

The following is a summary of long-term debt at December 31: *(dollars in millions)*

	2008	2007	2006
Various notes, due 2008	$ —	$ —	$1,095
3.5% Notes, due 2009	—	500	500
5.375% Notes, due 2009	—	500	500
1.51% Yen notes, due 2010	157	135	129
3.75% Notes, due 2011	500	500	500
5.6% Notes, due 2011	1,500	1,500	1,500
5.15% Notes, due 2012	1,000	1,000	—
1.95% Yen notes, due 2013	262	226	216
4.35% Notes, due 2014	500	500	500
5.875% Notes, due 2016	2,000	2,000	2,000
5.6% Notes, due 2017	1,500	1,500	—

6.15% Notes, due 2037	1,000	1,000	—
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	294	127	70
Total, net of current maturities	8,713	9,488	7,010
Current maturities of long-term debt	1,041	898	95
Total carrying amount	$9,754	$10,386	$7,105

Principal payments required on long-term debt outstanding at December 31, 2008, are $1.0 billion in 2009, $160 million in 2010, $2.0 billion in 2011, $1.0 billion in 2012, $265 million in 2013 and $5.1 billion thereafter.

At December 31, 2008, Abbott's long-term debt rating was AA by Standard & Poor's Corporation and A1 by Moody's Investors Service. Abbott has readily available financial resources, including unused lines of credit of $5.3 billion that support commercial paper borrowing arrangements of which a $2.3 billion facility expires in December 2009 and a $3.0 billion facility expires in 2012. Related compensating balances, which are subject to withdrawal by Abbott at its option, and commitment fees are not material. Abbott's access to short-term financing has not been affected by the recent credit market conditions. Abbott's weighted-average interest rate on short-term borrowings was 0.5% at December 31, 2008, 3.7% at December 31, 2007 and 5.0% at December 31, 2006.

Note 11 — Business Combinations, Technology Acquisitions and Related Transactions

In December 2006, Abbott acquired Kos Pharmaceuticals Inc. for cash of approximately $3.8 billion, net of cash held by Kos Pharmaceuticals Inc., to expand Abbott's presence in the lipid management market and to provide several on-market and late-stage pipeline products. Kos Pharmaceuticals Inc. was a specialty pharmaceutical company that developed and marketed proprietary medications for the treatment of chronic cardiovascular, metabolic and respiratory diseases. This business was acquired on December 13, 2006 and the financial results of the acquired operations are included in these financial statements beginning on that date. The acquisition was financed primarily with short-term debt. The allocation of the purchase price resulted in a charge of $1.3 billion for acquired in-process research and development, intangible assets of $821 million, goodwill (primarily non-deductible) of $1.6 billion and net liabilities, primarily deferred income taxes recorded at acquisition of $331 million. Acquired intangible assets are being amortized over 4 to 15 years. Non-deductible acquired in-process research and development was charged to income in 2006.

Note 11 — Business Combinations, Technology Acquisitions and Related Transactions (Continued)

In order to expand Abbott's presence in the growing vascular market, Abbott acquired Guidant's vascular intervention and endovascular solutions businesses on April 21, 2006 for approximately $4.1 billion, in cash, in connection with Boston Scientific's acquisition of Guidant. In addition, Abbott agreed to pay to Boston Scientific $250 million each upon government approvals to market the *Xience V* drug-eluting stent in the U.S. and in Japan. In 2008, the FDA approved the marketing of *Xience V* and Abbott paid Boston Scientific $250 million, resulting in the recording of additional goodwill. Government approval in Japan is anticipated in late 2009 or early 2010 which will also result in the recording of additional goodwill. The allocation of the purchase price resulted in a charge of $665 million for acquired in-process research and development, intangible assets of $1.2 billion, goodwill (primarily deductible) of $1.7 billion and tangible net assets of $580 million. Acquired intangible assets are being amortized over 4 to 15 years. Deductible acquired in-process research and development was charged to income in 2006. The net tangible assets acquired consist primarily of property and equipment of approximately $530 million,

trade accounts receivable of approximately $250 million and inventories of approximately $120 million, net of assumed liabilities, primarily trade accounts payable, litigation reserves and other liabilities.

Had the above acquisitions taken place on January 1 of the previous year, consolidated net sales and income would not have been significantly different from reported amounts.

In order to facilitate Boston Scientific's acquisition of Guidant, Abbott also acquired 64.6 million shares of Boston Scientific common stock directly from Boston Scientific and loaned $900 million to a wholly-owned subsidiary of Boston Scientific. The common stock was valued at $1.3 billion and the note receivable was valued at $829 million at the acquisition date. In connection with the acquisition of the shares, Boston Scientific was entitled to certain after-tax gains upon Abbott's sale of the shares. In addition, Boston Scientific agreed to reimburse Abbott for certain borrowing costs on debt incurred to acquire the Boston Scientific shares. Abbott recorded a net derivative financial instruments liability of $59 million for the gain-sharing derivative financial instrument liability and the interest derivative financial instrument asset. The effect of recording the shares, the loan to Boston Scientific and the derivative financial instruments at fair value on the date of acquisition resulted in the recording of additional goodwill of approximately $204 million. Changes in the fair value of the derivative financial instruments, net were recorded in Other (income) expense, net.

Note 12 — Goodwill and Intangible Assets

In 2008, Abbott paid $250 million to Boston Scientific as a result of the FDA's approval to market the *Xience V* drug-eluting stent in the U.S., resulting in an increase in goodwill in the Vascular Products segment. In addition, the conclusion of the TAP Pharmaceuticals Products Inc. joint venture resulted in the recording of $350 million of goodwill related to the Pharmaceutical Products segment. Abbott recorded goodwill of $53 million and $3.7 billion in 2007 and 2006, respectively, related to acquisitions. Goodwill adjustments recorded in 2007 allocated to the Pharmaceutical Products segment amounted to $194 million and goodwill allocated to the Vascular Products segment amounted to $(141) million. Acquired goodwill allocated to the Pharmaceutical Products segment amounted to $1.6 billion in 2006 and goodwill allocated to the Vascular Products segment amounted to $1.7 billion in 2006. Foreign currency translation and other adjustments (decreased) increased goodwill in 2008, 2007 and 2006 by $(677) million, $627 million and $509 million, respectively. The amount of goodwill related to reportable segments at December 31, 2008 was $6.0 billion for the Pharmaceutical Products segment, $206 million for the Nutritional Products segment, $268 million for the Diagnostic Products segment, and $2.2 billion for the Vascular Products segment. Goodwill was reduced by approximately $64 million in connection with the sale of Abbott's spine business in 2008. There were no other reductions of goodwill relating to impairments or disposal of all or a portion of a business.

Note 12 — Goodwill and Intangible Assets (Continued)

The gross amount of amortizable intangible assets, primarily product rights and technology was $9.4 billion, $9.0 billion and $9.0 billion as of December 31, 2008, 2007 and 2006, respectively, and accumulated amortization was $4.2 billion, $3.3 billion and $2.6 billion as of December 31, 2008, 2007 and 2006, respectively. The estimated annual amortization expense for intangible assets is approximately $780 million in 2009, $770 million in 2010, $760 million in 2011, $750 million in 2012 and $720 million in 2013. Intangible assets are amortized over 4 to 25 years (average 11 years).

Note 13 — Restructuring Plans

In 2008, Abbott management approved a plan to streamline global manufacturing operations, reduce overall costs, and improve efficiencies in Abbott's core diagnostic business. This plan will result in pretax charges of approximately $370 million over the next several years. These charges include employee-related costs of approximately $110 million, accelerated depreciation of approximately $75 million, and other related exit costs of approximately $185 million, mainly related to product transfers. In 2008, Abbott recorded a charge to Cost of products sold of approximately $129 million under the plan. Additional charges of approximately $16 million were recorded in 2008 relating to this restructuring, primarily for accelerated depreciation. The remainder of the charges will occur through 2011 as a result of product re-registration timelines required under manufacturing regulations in a number of countries and product transition timelines. The following summarizes the activity for this restructuring: *(dollars in millions)*

	2008
2008 restructuring charge	$129
Payments and other adjustments	(19)
Accrued balance at December 31	$110

In 2008, 2007 and 2006, Abbott management approved plans to realign its worldwide pharmaceutical and vascular manufacturing operations and selected domestic and international commercial and research and development operations in order to reduce costs. In 2008, 2007 and 2006, Abbott recorded charges of approximately $36 million, $107 million and $210 million, respectively, reflecting the impairment of manufacturing facilities and other assets, employee severance and other related charges. Approximately $94 million and $181 million in 2007 and 2006, respectively, is classified as cost of products sold, $3 million and $29 million in 2007 and 2006, respectively, as research and development and $36 million and $10 million in 2008 and 2007, respectively, as selling, general and administrative. Fair value for the determination of the amount of asset impairments was determined primarily based on a discounted cash flow method. An additional $81 million, $90 million and $70 million were subsequently recorded in 2008, 2007 and 2006, respectively, relating to these restructurings, primarily for accelerated depreciation. In addition, Abbott implemented facilities restructuring plans in 2007 related to the acquired operations of Kos Pharmaceuticals Inc., which resulted in an increase to goodwill of approximately $52 million. Abbott expects to incur up to an additional $21 million in future periods for these restructuring plans, primarily for

accelerated depreciation. The following summarizes the activity for these restructurings: *(dollars in millions)*

	Employee-Related and Other	Asset Impairments	Total
Accrued balance at January 1, 2006	$ 155	$ —	$ 155
2006 restructuring charges	117	93	210
Payments, impairments and other adjustments	(79)	(93)	(172)
Accrued balance at December 31, 2006	193	—	193
2007 restructuring charges	121	38	159
Payments, impairments and other adjustments	(120)	(38)	(158)

Accrued balance at December 31, 2007	194	—	194
2008 restructuring charges	36	—	36
Payments and other adjustments	(125)	—	(125)
Accrued balance at December 31, 2008	$ 105	$ —	$ 105

Note 14 — Subsequent Event — Business Combination

In January 2009, Abbott announced an agreement to acquire Advanced Medical Optics, Inc. (AMO), a marketer of ophthalmic surgical technology and devices, as well as eye care solutions, for approximately $2.8 billion, in cash and debt, to take advantage of increasing demand for vision care technologies due to population growth and demographic shifts. The transaction is expected to close in the first quarter of 2009. AMO's sales are more than $1 billion per year.

Note 15 — Quarterly Results (Unaudited)

(dollars in millions except per share data)

	2008	2007	2006
First Quarter			
Net Sales	$6,765.6	$5,945.5	$5,183.5
Gross Profit	3,804.5	3,353.5	3,013.8
Net Earnings	937.9	697.6	865.0
Basic Earnings Per Common Share (a)	.61	.45	.57
Diluted Earnings Per Common Share (b)	.60	.45	.56
Market Price Per Share-High	61.09	57.26	45.58
Market Price Per Share-Low	50.09	48.75	39.18
Second Quarter			
Net Sales	$7,314.0	$6,370.6	$5,501.1
Gross Profit	4,194.4	3,566.3	3,112.5
Net Earnings (c)	1,322.0	988.7	612.2
Basic Earnings Per Common Share (a) (c)	.86	.64	.40
Diluted Earnings Per Common Share (b) (c)	.85	.63	.40
Market Price Per Share-High	57.04	59.50	43.61
Market Price Per Share-Low	50.09	52.80	40.55
Third Quarter			
Net Sales	$7,497.7	$6,376.7	$5,573.8
Gross Profit	4,144.8	3,512.7	3,182.5
Net Earnings	1,084.6	717.0	715.8
Basic Earnings Per Common Share (a)	.70	.46	.47
Diluted Earnings Per Common Share (b)	.69	.46	.46
Market Price Per Share-High	60.78	56.91	49.87
Market Price Per Share-Low	52.63	49.58	43.25
Fourth Quarter			
Net Sales	$7,950.3	$7,221.4	$6,218.0
Gross Profit	4,771.9	4,059.7	3,352.4

Net Earnings (Loss) (d)	1,536.2	1,203.0	(476.2)
Basic Earnings (Loss) Per Common Share (a) (d)	.99	.78	(.31)
Diluted Earnings (Loss) Per Common Share (b) (d)	.98	.77	(.31)
Market Price Per Share-High	59.93	59.48	49.10
Market Price Per Share-Low	45.75	50.51	45.41

(a) The sum of the quarters' basic earnings per share for 2007 and 2006 does not add to the full year earnings per share amount due to rounding.

(b) The sum of the quarters' diluted earnings per share for 2006 does not add to the full year earnings per share amount due to rounding.

(c) Second quarter 2006 includes a pretax charge of $493 for acquired in-process and collaborations research and development.

(d) Fourth quarter 2006 includes a pretax charge of $1,307 for acquired in-process and collaborations research and development.

Management Report on Internal Control Over Financial Reporting

The management of Abbott Laboratories is responsible for establishing and maintaining adequate internal control over financial reporting. Abbott's internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Abbott's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2008. In making this assessment, it used the criteria set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we believe that, as of December 31, 2008, the company's internal control over financial reporting was effective based on those criteria.

Abbott's independent registered public accounting firm has issued an audit report on their assessment of the effectiveness of the company's internal control over financial reporting. This report appears on page 75.

Miles D. White
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Thomas C. Freyman
EXECUTIVE VICE PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER

Greg W. Linder
VICE PRESIDENT AND CONTROLLER

February 19, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Abbott Laboratories:

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries (the "Company") as of December 31, 2008, 2007, and 2006, and the related consolidated statements of earnings, shareholders' investment, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2008, 2007, and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1, 2, and 4 to the consolidated financial statements, the Company changed its method of accounting for fair value measurements to adopt Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements,* and adopted the fair value option under SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* for certain investments in 2007, and the Company changed its method of accounting for pension and other post employment benefits to adopt SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* in 2006.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 19, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Abbott Laboratories:

We have audited the internal control over financial reporting of Abbott Laboratories and subsidiaries (the "Company") as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2008 and our report dated February 19, 2009 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 19, 2009

TAP Pharmaceutical Products Inc. and Subsidiaries

Consolidated Statements of Income and Comprehensive Income
(dollars in thousands)

	Four Months Ended April 30, 2008	Year Ended December 31 2007	Year Ended December 31 2006
Net Sales	$ 853,093	$3,001,738	$3,362,672
Proceeds from Patent Settlement	—	147,925	—
Cost of Sales	228,747	719,976	835,834
Selling, General and Administrative	214,104	708,054	769,036
Research and Development	54,381	161,013	245,476
Income from Operations	355,861	1,560,620	1,512,326
Interest Income	1,503	5,143	13,520
Other Expense, net	(1,263)	(1,275)	(2,033)
Income Before Taxes	356,101	1,564,488	1,523,813
Provision for Income Taxes	118,107	568,458	572,192
Net Income	237,994	996,030	951,621
Other Comprehensive Income:			
Net unrealized (losses) gains on investment and forward contracts, net of tax	(2,173)	1,842	13,145
Net unrealized actuarial gains and prior service credits, net of tax	1,935	—	—
Comprehensive Income	$ 237,756	$ 997,872	$ 964,766

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(dollars in thousands)

Four Months Ended	Year Ended December 31	Year Ended December 31

	April 30, 2008	2007	2006
Cash Flows From Operating Activities:			
Net income	$ 237,994	$ 996,030	$ 951,621
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	5,678	17,668	18,317
Loss on disposal of fixed assets	3,374	—	—
Loss on investment	1,319	—	—
Deferred income taxes	20,487	(4,772)	(44,510)
Changes in assets and liabilities:			
Accounts receivable	209,557	12,890	21,069
Inventories	(50,109)	62,237	24,860
Income tax receivable	(32,290)	(13,886)	(110,897)
Prepaid expenses and other assets	16,860	(8,874)	2,728
Trade accounts payable and accrued liabilities	(3,602)	(59,375)	(80,092)
Accrued rebates	3,088	38,340	(181,835)
Accrued compensation and benefits	(89,278)	46,330	136,474
Net Cash From Operating Activities	323,078	1,086,588	737,735
Cash Flows (Used In) From Investing Activities:			
Proceeds from maturities of investments	5,500	448,425	148,755
Purchases of investments	(71,575)	(370,880)	—
Capital expenditures	(1,658)	(8,493)	(5,366)
Reclassification from Cash and Cash Equivalents to Investments	(59,617)	—	—
Net Cash (Used In) From Investing Activities	(127,350)	69,052	143,389
Cash Flows (Used in) Financing Activities:			
Dividends paid	—	(1,004,712)	(974,400)
Payments under capital lease obligations	(1,959)	(7,228)	(1,085)
Net Cash (Used in) Financing Activities	(1,959)	(1,011,940)	(975,485)
Net Increase (Decrease) in Cash and Cash Equivalents	193,769	143,700	(94,361)
Cash and Cash Equivalents — Beginning of Period	209,860	66,160	160,521
Cash and Cash Equivalents — End of Period	$ 403,629	$ 209,860	$ 66,160
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for income taxes	$ 157,655	$ 577,228	$ 754,252

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc. and Subsidiaries

Consolidated Balance Sheets
(in thousands, except share amount)

	April 30 2008	December 31 2007
Assets		
Current Assets:		
Cash and cash equivalents	$ 403,629	$ 209,860
Short-term investments	52,468	3,100
Accounts receivable, net of allowances: 2008 — $43,707; 2007 — $57,953	219,010	605,205
Receivable from Abbott	174,661	—
Receivable from Takeda and subsidiaries	26,911	24,934
Inventories	123,252	73,143
Income tax receivable	106,287	76,785
Deferred income taxes	53,343	70,744
Prepaid expenses and other assets	20,178	37,659
Total Current Assets	1,179,739	1,101,430
Property and Equipment, net	90,852	96,715
Other Assets, net	39,800	40,949
Income Tax Receivable	50,786	47,998
Long-Term Investments	71,234	—
Deferred Income Taxes	64,339	67,136
	$1,496,750	$1,354,228
Liabilities and Shareholders' Equity		
Current Liabilities:		
Trade accounts payable	$ 21,655	$ 20,159
Accrued compensation and benefits	114,359	178,888
Accrued liabilities	38,923	49,228
Payable to Takeda and subsidiaries	130,399	54,499
Payable to Abbott	—	80,299
Accrued rebates	534,277	531,189
Income taxes payable	1,550	—
Total Current Liabilities	841,163	914,262
Other Liabilities, including post-employment medical and dental benefits	66,042	67,655
Income Taxes Payable	34,221	54,743
Total Liabilities	941,426	1,036,660
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, no par value — authorized, issued and outstanding, 200 shares	39,500	39,500
Additional paid-in capital	6,449	6,449
Accumulated other comprehensive income	65	303
Retained earnings	509,310	271,316
Total Shareholders' Equity	555,324	317,568
	$1,496,750	$1,354,228

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity
Four Months Ended April 30, 2008 and
Years Ended December 31, 2007 and 2006
(dollars in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
	Shares	Amount				
Balance, January 1, 2006	200	$39,500	$ 6,449	$ (14,704)	$ 302,777	$ 334,022
Net income	—	—	—	—	951,621	951,621
Net unrealized gain on investment and forward contracts, net of taxes of $(7,924)	—	—	—	13,145	—	13,145
Dividends	—	—	—	—	(974,400)	(974,400)
Balance, December 31, 2006	200	39,500	6,449	(1,559)	279,998	324,388
Net income	—	—	—	—	996,030	996,030
Net unrealized gain on investment and forward contracts, net of taxes of $(1,049)	—	—	—	1,842	—	1,842
Dividends	—	—	—	—	(1,004,712)	(1,004,712)
Balance, December 31, 2007, before adoption of new accounting standard	200	39,500	6,449	283	271,316	317,548
Adjustment to recognize net actuarial gain and prior service credits as a component of accumulated comprehensive income, net of taxes of $(12)	—	—	—	20	—	20
Balance, December 31, 2007	200	39,500	6,449	303	271,316	317,568
Net income	—	—	—	—	237,994	237,994
Net unrealized loss on investment and forward contracts, net of taxes of $1,246	—	—	—	(2,173)	—	(2,173)
Net unrealized actuarial gain and prior service credits, net of taxes of $(958)	—	—	—	1,935	—	1,935
Balance, April 30, 2008	200	$39,500	$ 6,449	$ 65	$ 509,310	$ 555,324

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc. and Subsidiaries

Notes to Consolidated Financial Statements
Four Months Ended April 30, 2008
Years Ended December 31, 2007 and 2006
(dollars in thousands)

Note 1. Dissolution of the TAP Joint Venture

Abbott Laboratories (Abbott) and Takeda Pharmaceutical Company, Ltd., a Japanese corporation (Takeda), ended their TAP Pharmaceutical Products Inc. and subsidiaries (TAP) joint venture as of the close of business on April 30, 2008, evenly splitting the value of the assets and liabilities of the joint venture. The Internal Revenue Service has issued a private letter ruling that the transaction qualifies as tax-free for U.S. income tax purposes. Under the terms of the agreement, Abbott receives rights to the *Lupron* business, including the commercial organization supporting that franchise, and will receive payments based on TAP's other current and certain future products. Takeda receives the rights to the product *Prevacid*, all the remaining TAP commercial and support organizations, and the rights to TAP's products in development.

Under the terms of the agreement, TAP will contribute to Lake Products Inc. (Lake Products) assets related primarily to *Lupron* and specified other pharmaceutical products (not including *Prevacid*), certain other assets and TAP personnel primarily associated with *Lupron*, and Lake Products will assume certain related liabilities. At closing, Abbott will exchange its 50 percent ownership interest in TAP for 100 percent ownership of Lake Products, which will then become a wholly-owned subsidiary of Abbott.

Effective May 1, 2008, TAP became a wholly-owned subsidiary of Takeda America Holdings, Inc. Subsequently, Takeda merged TAP into two other Takeda entities.

The financial statements do not include any adjustments that might result from the outcome of this dissolution.

Note 2. Description of the Business

TAP is a Delaware corporation owned equally by Abbott, an Illinois corporation, and Takeda America Holdings, Inc., a wholly owned subsidiary of Takeda. TAP is headquartered in Lake Forest, Illinois and has approximately 2,900 employees. Under an agreement between Abbott and Takeda, TAP develops, markets and sells human pharmaceutical products in the United States, Puerto Rico, and Canada. TAP operates as one business segment with sales primarily in the United States. As discussed in Note 1 and Note 11, Abbott and Takeda dissolved the TAP joint venture as of the close of business April 30, 2008.

TAP's primary products are *Prevacid* and *Lupron*. The principal indications for *Prevacid* (lansoprazole), a proton pump inhibitor, are for short-term treatment of duodenal ulcers, gastric ulcers and erosive esophagitis. *Lupron* (leuprolide acetate), a luteinizing hormone-releasing hormone (LH-RH) analog, and *Lupron Depot*, a sustained release form of *Lupron*, are used principally for the palliative treatment of advanced prostate cancer, endometriosis and central precocious puberty, and for the preoperative treatment of patients with anemia caused by uterine fibroids.

The patents related to lansoprazole and *Lupron Depot* are material to the operation of TAP's business. The original United States compound patent covering lansoprazole is licensed by TAP from Takeda. The original United States patents covering the *Lupron Depot* formulations are licensed by TAP from Takeda.

TAP's products are generally sold directly to physicians, retailers, wholesalers, health care facilities, and government agencies. In most cases, they are distributed from Abbott-owned distribution centers. Primary marketing efforts are directed toward securing the prescription of TAP's brand of products by

Note 2. Description of the Business (Continued)

physicians. Managed care purchasers (for example, health maintenance organizations and pharmacy benefit managers) are increasingly important customers.

TAP's products are supplied by its owners, principally Takeda. A disruption in the supply of these products could adversely impact the operating results of TAP. Sales of TAP's primary products are as follows:

	2008	2007	2006
Prevacid	$649,303	$2,275,293	$2,599,886
Lupron	182,042	645,450	662,374

In 2007, TAP received a total of $147,925 to resolve litigation relating to alleged infringement of a *Lupron Depot* patent. In 2006, TAP recognized revenue for milestone payments related to the 2005 license of the *Prevacid* trademark, certain patents and technical information to a third party for the over-the-counter sale of *Prevacid* in the United States.

Accounts receivable potentially subject TAP to concentrations of credit risk. TAP sells primarily to wholesale distributors and a majority of TAP's accounts receivable are derived from sales to wholesale distributors. Three U.S. wholesale distributors accounted for more than 10% of TAP's gross sales as follows:

	2008	2007	2006
Wholesale distributor A	32%	29%	28%
Wholesale distributor B	21%	17%	18%
Wholesale distributor C	21%	24%	28%

TAP has no material exposures to off-balance sheet arrangements; nor special purpose entities; nor activities that include non-exchange-traded contracts accounted for at fair value, except for the equity swap agreements that hedge market price exposure for employee stock options as described in Note 7.

Note 3. Summary of Significant Accounting Policies

BASIS OF PRESENTATION — The consolidated financial statements include the accounts of TAP and all of its subsidiaries. All intercompany accounts and transactions have been eliminated.

USE OF ESTIMATES — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions by management. Actual results could differ from those estimates. Significant estimates include amounts for income taxes, sales rebates, other post-employment benefits, litigation, share-based compensation, derivative financial instruments, inventory reserves and accounts receivable allowances.

CASH AND CASH EQUIVALENTS — Cash equivalents include time deposits, certificates of deposit, commercial paper, money market funds and other short-term investments in governmental agency debt securities with original maturities of three months or less, or which are contractually convertible to cash in three months or less. Certain money market funds have been classified as investments as of April 30, 2008 due to liquidity issues, as described further in Note 5.

INVESTMENT SECURITIES — Investments in debt and equity securities are classified as available-for-sale and are recorded at fair value with any unrealized holding gains or losses, net of tax, included in

Accumulated other comprehensive income. TAP monitors equity investments for other than temporary declines in fair value and charges impairment losses to income when an other than temporary

Note 3. Summary of Significant Accounting Policies (Continued)

decline in estimated value occurs. Income relating to debt securities is reported as interest income. Certain debt securities have been classified as long-term investments as of April 30, 2008 due to liquidity issues.

INVENTORIES — Inventories are stated at the lower of cost (first-in, first-out basis) or market. Cost includes material and packaging costs. Inventories consist of the following:

	4/30/2008	12/31/2007
Finished goods	$ 58,957	$28,032
Work-in-process	64,295	45,111
Total inventories	$123,252	$73,143

PROPERTY AND EQUIPMENT — Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows:

Building	50 years
Automobiles	40-78 months
Furniture and fixtures	5-20 years
Computer hardware and software	3-10 years

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable based on projected undiscounted cash flows associated with the affected assets. If the fair value is less than the carrying value of the asset, a loss is recognized for the difference. Fair value is determined based on market quotes, if available, or is based on valuation techniques.

REVENUE RECOGNITION — Revenue from product sales is recognized upon passage of title and risk of loss to customers (when product is delivered to a common carrier). Revenue from license of product rights is recorded over the periods earned. Provisions for estimated rebates and sales incentives to customers, doubtful accounts, cash discounts, product returns and customer chargebacks are provided for in the period the related sales are recorded. Rebates and sales incentives are recorded as accrued rebates in the balance sheets. Reserves for doubtful accounts, cash discounts, product returns and customer chargebacks are recorded as reductions to accounts receivable. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales.

RESEARCH AND DEVELOPMENT — Internal research and development costs are expensed as incurred. Clinical trial costs incurred by third parties are expensed as the contracted work is performed. Where milestone payments are due to third parties under research and development arrangements, the milestone payment obligations are expensed when the milestone results are achieved.

ADVERTISING AND PROMOTION EXPENSE — All advertising and promotion costs are expensed as Selling, general and administrative expenses when incurred. Total advertising and promotion expense incurred was $38,735, $126,482 and $186,052 for the four months ended April 2008, and years ended 2007 and 2006, respectively.

INCOME TAXES — Deferred income taxes are recognized for the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement carrying amount and the tax basis of assets and liabilities.

RECENT ACCOUNTING PRONOUNCEMENTS — As of January 1, 2008, TAP adopted Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* and FASB Statement

Note 3. Summary of Significant Accounting Policies (Continued)

No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115*. These standards provide guidance for using fair value to measure assets and liabilities. The effect of the adoption of these standards is summarized in Note 5.

Note 4. Property and Equipment and Lease Obligations

Property and equipment consists of the following:

	4/30/2008	12/31/2007
Land and land improvements	$ 14,215	$ 14,167
Building	17,884	17,884
Furniture and fixtures	41,816	41,442
Computer hardware and software	41,240	48,885
Automobiles under capital leases	41,949	42,393
Other	2,649	7,332
Property and equipment	159,753	172,103
Less accumulated depreciation and amortization	(68,901)	(75,388)
Property and equipment, net	$ 90,852	$ 96,715

TAP leases certain administrative and regional sales offices, equipment, and automobiles under non-cancelable leases which expire at various dates through 2013. Operating lease expense totaled $1,810 for the four months ended April 30, 2008, and $4,939 and $4,688 for the years ended December 31, 2007 and 2006, respectively. Future minimum lease payments under non-cancelable operating and capital leases as of April 30, 2008 consist of the following:

May 1, 2008 to April 30, 2009	$12,743
May 1, 2009 to April 30, 2010	11,533
May 1, 2010 to April 30, 2011	10,625
May 1, 2011 to April 30, 2012	9,113
Thereafter	8,009

Total	$52,023

Note 5. Financial Instruments, Derivatives and Fair Value Measures

TAP enters into foreign currency forward contracts to hedge purchases of inventories at fixed Yen-denominated prices. The forward contracts require TAP to purchase Yen in exchange for U.S. dollars at pre-determined exchange rates and are designated as cash flow hedges of the variability of cash flows due to changes in exchange rates. TAP does not trade financial instruments with the objective of earning financial gains on the exchange rate fluctuations alone, nor does it trade in currencies or commodities for which there are no underlying exposures.

The effective portion of the changes in value of the forward contracts is recorded in Accumulated other comprehensive income, and is subsequently recognized in earnings in the same period the hedged forecasted transactions affect earnings. Any cash flow hedge ineffectiveness is reported in earnings in the current period.

TAP did not have any outstanding foreign exchange forward contracts at April 30, 2008. TAP had outstanding foreign exchange forward contracts with a notional value of $16,349 and fair value of $131 at

Note 5. Financial Instruments, Derivatives and Fair Value Measures (Continued)

December 31, 2007. The fair value adjustments of these contracts are recorded as prepaid expenses as of December 31, 2007. During 2008, 2007 and 2006 cash flow hedge ineffectiveness was not material.

The following table summarizes the bases used to measure certain assets at fair value on a recurring basis in the balance sheet:

	Balance at April 30, 2008	Significant Other Observable Inputs	Significant Unobservable Inputs
Assets:			
Short-Term Investment, Strategic Cash Portfolio	$ 52,468	$ 52,468	$ —
Long-Term Investment, Auction Rate Certificates	65,404	—	65,404
Long-Term Investment, Strategic Cash Portfolio	5,830	5,830	—
Total	$ 123,702	$ 58,298	$ 65,404

The following table summarizes the activity in 2008 relating to fair value measurements using Significant Unobservable Inputs:

	Auction Rate Certificates
Balance, January 1, 2008	$ 3,100
Purchases	71,575
Sales	(5,500)

Total unrealized losses included in Accumulated other comprehensive income	(3,771)
Balance, April 30, 2008	$ 65,404

The auctions for the auction rate certificates have failed since February 2008, resulting in market illiquidity and interest adjusted to the maximum contractual rates. Accordingly, the certificates have been reclassified to long-term assets. While the certificates are paying interest at the maximum contractual rate, the market value no longer approximates par value. Consequently, the fair value of these certificates has been estimated using the broker valuation model and an unrealized loss has been recorded in other comprehensive income.

Prior to 2008, the Strategic Cash Portfolio was a fixed asset valuation (amortized cost) fund that provided daily liquidity. Due to unprecedented conditions in the short term credit markets, the fund closed to new subscription or redemption requests and changed to a fluctuating asset valuation (market value). The underlying securities are valued on a daily basis by an independent third party, and the total value is divided by the total number of shares outstanding to determine the daily Net Asset Value (NAV). The fair value of the fund has been estimated using the month ending NAV and a loss has been recorded in earnings for other than temporary declines in estimated value.

Note 6. Employee Benefit Plans

TAP employees participate in various Abbott employee benefit plans, including the Abbott Laboratories Annuity Retirement Plan, the Abbott Laboratories Stock Retirement Plan, and the Abbott Laboratories Incentive Stock Program (see Note 7 for further details). TAP is billed for its share of the costs of these plans. TAP's share of the employer contribution to the Abbott Laboratories Annuity Retirement Plan is generally allocated based on TAP's proportionate share of the total compensation expense of all participants in the plan. TAP made contributions to the plan of $16,000 in 2007 and 2006. TAP's contribution to the Abbott Laboratories Stock Retirement Plan is based on participating employee contributions. TAP's contributions for the four months ended April 30, 2008 and years ended December 31, 2007 and 2006 were $4,958, $14,093 and $12,989, respectively.

TAP provides health and welfare benefits to its employees through the TAP Pharmaceutical Products Inc. Healthcare Plan. Contributions to the Plan are made in accordance with TAP's funding policy. TAP provides certain medical and life insurance benefits to qualifying retirees through the TAP Pharmaceutical Products Inc. Retiree Medical Plan. The following provides a reconciliation of the post-employment benefit obligations and funded status of the Plan:

	2008	2007
Change in benefit obligations:		
Projected benefit obligations, January 1	$ 33,133	$ 34,978
Service cost	985	3,974
Interest cost	704	2,257
Actuarial gain	(2,980)	(7,251)
Benefits paid	(100)	(825)
Projected benefit obligations, April 30, 2008 and December 31, 2007	$ 31,742	$ 33,133
Short-term liabilities	$ (534)	$ (517)
Long-term liabilities	(31,208)	(32,616)
Total	$(31,742)	$(33,133)

Amounts recognized in Accumulated Other Comprehensive Income (Loss):		
Actuarial losses, net	$ 3,683	$ 6,710
Prior service credits	(6,608)	(6,742)
Total	$ (2,925)	$ (32)

	2008	2007	2006
Service cost	$ 985	$ 3,974	$ 3,222
Interest cost	704	2,257	1,658
Amortization of actuarial losses	46	786	542
Amortization of prior service credits	(134)	(401)	(401)
Net cost	$ 1,601	$ 6,616	$ 5,021

The discount rates used to determine benefit obligations for medical and dental plans were 6.84 percent, 6.65 percent and 5.90 percent in 2008, 2007 and 2006, respectively. The discount rates used to determine net cost for medical and dental plans were 6.65 percent, 5.90 percent and 5.75 percent in 2008, 2007 and 2006, respectively.

Note 6. Employee Benefit Plans (Continued)

The assumed health care cost trend rates for medical and dental plans were as follows:

	2008	2007	2006
Health care cost trend rate assumed for the next year	7%	7%	7%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2012	2012	2012

A one-percentage point increase (decrease) in the assumed health care trend rate would increase (decrease) the accumulated post-employment benefit obligations as of April 30, 2008 by approximately $6,809 and $(5,236), respectively, and the total of the service and interest cost components of net post-employment benefit cost for the four months then ended by approximately $416 and $(315), respectively.

Total benefit payments expected to be paid to participants from company assets for post-employment medical and dental benefits are as follows:

May 1, 2008 to April 30, 2009	$ 534
May 1, 2009 to April 30, 2010	624
May 1, 2010 to April 30, 2011	725
May 1, 2011 to April 30, 2012	845
May 1, 2012 to April 30, 2013	946
May 1, 2013 to April 30, 2018	7,024

Note 7. Incentive Stock Program

Certain employees of TAP are granted options to purchase Abbott common stock under the 1996 Abbott Incentive Stock Program. Stock options and replacement stock options granted to TAP employees

are currently outstanding under this program. The purchase price of shares under option must be at least equal to the fair market value of the Abbott common stock on the date of grant, and the maximum term of an option is 10 years. Options granted vest equally over three years except for replacement options, which generally vest in six months and have a life equal to the remaining life of the replaced option. In addition, certain employees of TAP are granted restricted stock units in Abbott stock. Restricted stock units granted vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. Upon a change in control of Abbott, all outstanding stock options and restricted stock units become fully exercisable.

All option exercises and restricted stock vesting are transacted with Abbott. TAP is liable for the excess of the market value of the option shares granted to TAP employees while employed at TAP over the option price at the time of exercise and the market value of the Abbott stock at the time of vesting of restricted stock units and reimburses Abbott annually for the cost of options exercised and the restricted stock units vested during the year.

TAP's liability for options and restricted stock units granted was $71,136 and $92,108 at April 30, 2008 and December 31, 2007, respectively. Changes in the fair value of these options are recorded as Selling, general and administrative expense. The weighted average fair value of an option granted in 2008, 2007

Note 7. Incentive Stock Program (Continued)

and 2006 was $11.65, $14.02 and $11.83, respectively. The fair value of an option at grant date was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2008	2007	2006
Risk-free interest rate	2.8%	4.9%	4.7%
Expected life of options (years)	6.1	6.1	5.3
Volatility	24.9%	25.1%	26.7%
Dividend yield	2.5%	2.2%	2.8%

The fair value of an option as of April 30, 2008 and December 31, 2007 and 2006 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2008	2007	2006
Risk-free interest rate	3.2%	3.5%	4.5%
Expected life of options (years)	5.9	5.2	4.5
Volatility	25.0%	24.3%	25.0%
Dividend yield	2.7%	2.3%	2.4%

The risk-free interest rate is based on the rates available at the measurement date for U.S. government treasury STRIPS with a remaining term equal to the option's expected life. The expected life of an option granted in 2008, 2007, and 2006 is based on both historical and projected exercise and lapsing data. Prior to 2006, the expected life of an option granted was based on historical experience. Expected volatility is based